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FISCAL IMPACT STATEMENT

LS 7087

BILL NUMBER: HB 1902

NOTE PREPARED: Apr 7, 2003

BILL AMENDED: Apr 7, 2003

SUBJECT: French Lick and West Baden Springs Riverboat.

FIRST AUTHOR: Rep. Denbo

FIRST SPONSOR: Sen. Weatherwax

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) The bill deletes the authorization for the Indiana Gaming Commission to issue a license for a riverboat to be operated on Patoka Lake, and removes all references to the Patoka Lake riverboat license. The bill authorizes the Commission to enter into a contract with an operating agent who would operate a riverboat in a historic hotel district in Orange County on behalf of the Commission. The bill also permits any person, including a person who holds a riverboat license, to apply to serve as the operating agent in the historic hotel district. The bill provides for the distribution of tax revenue remitted by the riverboat. It also permits the towns of West Baden Springs and French Lick to establish by ordinance a Historic Hotel Preservation Commission. The Commission would be given historic preservation authority, and would administer a Community Trust Fund using a portion of the revenues generated by the riverboat. The bill also establishes the West Baden Springs Historic Hotel Preservation and Maintenance Fund administered by the state Department of Natural Resources.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) The Indiana Gaming Commission would incur additional administrative expenses relating to the contracting process for an operating agent and regulation of gaming at the Orange County riverboat casino. As with the existing riverboat casinos, such administrative costs would be covered with revenue from investigation fees and the Riverboat Wagering Tax.

Explanation of State Revenues: (Revised) *Admission and Wagering Tax:* A riverboat casino in Orange County is estimated to generate about \$7.6 M annually in revenue from the Riverboat Wagering Tax; and about \$1.9 M annually in revenue from the Riverboat Admission Tax. The annual distributions from these taxes would be as follows:

Estimated Admission & Wagering Tax Distributions from the Orange County Casino

Recipient	Admission Tax	Wagering Tax
Orange County	\$483,000	\$761,000
French Lick and West Baden Springs	\$155,000 each	\$380,500 each
Historic Hotel Preservation Commission	\$174,000	\$380,500
West Baden Historic Hotel Preservation and Maintenance Fund	\$483,000	\$2.85 M
Indiana Department of Commerce	\$483,000	
Property Tax Replacement Fund		\$2.85 M
Total	\$1.9 M	\$7.6 M

Under the bill the distribution to the Indiana Department of Commerce (IDOC) is to be used for the development and implementation of a regional economic development strategy to assist the residents in Orange County and contiguous counties in improving their quality of life and to help promote successful and sustainable communities.

West Baden Historic Hotel Preservation and Maintenance Fund: The West Baden Historic Hotel Preservation and Maintenance Fund is established by the bill. The Fund consists of Admission and Wagering Tax distributions, grants and gifts, and a \$1.0 M one-time initial fee to be paid by the operating agent selected by the Indiana Gaming Commission to operate a casino in Orange County. The Wagering Tax distribution continues until a \$20.0 M balance is accumulated in the Fund. Once the required balance is reached the estimated \$2.85 M annual distribution goes to the Property Tax Replacement Fund. As the initial \$1.0 M fee is not an annual distribution, this amount is not reflected in the distributions table. In the first year, the Fund could potentially receive about \$4.3 M from the initial fee, and Admission and Wagering Tax revenue.

The Fund is to be administered by the Department of Natural Resources (DNR). The bill authorizes the General Assembly to appropriate interest in the Fund to the DNR only to: (1) maintain the parts of the West Baden Springs Hotel that were restored before July 1, 2003; and (2) maintain the grounds surrounding the West Baden Springs Hotel.

Caveats: The fiscal estimates are not adjusted to account for the potential negative effect that competing riverboats (in particular, nearby riverboats Casino Aztar in Evansville and Caesars in Harrison County) may have on admissions and wagering at a casino located in Orange County. Thus, actual Admission and Wagering Tax revenue could potentially be less than estimated to the extent that an Orange County casino shares its market with other existing riverboat casinos. In addition, the fiscal estimates do not account for potential decline in Admission and Wagering Tax revenue from existing riverboats due to new casino operations in Orange County. These potential competitive impacts on the fiscal outcomes are indeterminable.

Background: The bill eliminates the Patoka Lake riverboat casino license and, instead, authorizes the Indiana Gaming Commission (IGC) to enter into a contract with an agent to operate a riverboat casino in Orange County. The casino must be located within a historic hotel district that consists solely of the real property owned by the historic hotels in French Lick and West Baden Springs. The operating agent may be a person

who holds an interest in a riverboat owner's license issued under current statute. The operating agent is required to locate the riverboat in the historic hotel district at a location approved by the IGC and the Historic Preservation Commission established under the bill to oversee the district. The operating agent is required to implement flexible scheduling. The bill requires the Orange County casino to pay a \$4 Admission Tax (rather than \$3 as required under current law for the 10 existing riverboat casinos.) Since the riverboat casino would have to implement flexible scheduling, the Admission Tax would be imposed on turnstile admissions only and the Wagering Tax would be imposed on the graduated scale presented in the table below.

Taxable Increment of Annual AGR	Tax Rate on Increment
\$25 M and under	15%
Over \$25 M up to \$50 M	20%
Over \$50 M up to \$75 M	25%
Over \$75 M up to \$150 M	30%
Over \$150 M	35%

The bill also would affect revenue to the state from the Occupational License Fee. The Occupational License Fee is imposed on individuals employed in certain riverboat gambling occupations. The Application Fee is dependent on the type of license obtained, ranging from \$75 to \$1,000. The Annual License Fee is also dependent on the type of license obtained, ranging from \$25 to \$100. Revenue from the Application Fee totaled approximately \$975,000 in FY 2002; and revenue from the Annual License totaled about \$530,000 in FY 2002. There would be one operating agent with whom the Gaming Commission would contract to operate a casino in Orange County. The bill requires applicants for the operating agent's contract to pay an application fee to be determined by the Gaming Commission; and to pay for all investigatory costs incurred by the Commission.

The bill also eliminates the Admission Tax and Wagering Tax distribution schemes pertaining to the Patoka Lake riverboat license and establishes new distributions pertaining to Admission and Wagering Tax collections at the Orange County casino. The Admission Tax and Wagering Tax distributions are presented below.

Admission Tax Distributions:

- 25% to Orange County. The bill permits Orange County to appropriate all or part of this money in equal amounts to Orleans, Paoli, Crawford County, and DuBois County.
- 16% divided equally between French Lick and West Baden Springs. The bill requires each town to appropriate a portion of this money to the budget of the town's tourism commission.
- 9% to the Historic Hotel Preservation Commission established under the bill. The bill creates a Community Trust Fund to be administered by the Commission. Among other sources, the Trust Fund consists of money disbursed from the Commission. Money in the Trust Fund may be used for (1) infrastructure projects in Orange County; (2) historic preservation or restoration projects in the community; and (3) other projects designed to enhance the historic character of the surrounding community.

- 25% to the West Baden Historic Hotel Preservation and Maintenance Fund established under the bill. This Fund is administered by the Department of Natural Resources (DNR). Under the bill, the General Assembly is authorized to appropriate interest accruing to this Fund to the DNR only to: (1) maintain those portions of the West Baden Springs Hotel that were restored before July 1, 2003; and (2) maintain the grounds surrounding the West Baden Springs Hotel.
- 25% to the Indiana Department of Commerce for the development and implementation of a regional economic development strategy to assist the residents in Orange County and contiguous counties in improving their quality of life and to help promote successful and sustainable communities.

Wagering Tax Distributions:

- 10% to Orange County (see above explanation).
- 10% divided equally between French Lick and West Baden Springs (see above explanation).
- 5% to the Historic Hotel Preservation Commission established under the bill (see above explanation).
- 37.5% to the West Baden Historic Hotel Preservation and Maintenance Fund (see above explanation). Under the bill, once the balance in the Fund exceeds \$20 M, this money must be distributed to the Property Tax Replacement Fund.
- 37.5% to the Property Tax Replacement Fund.

Fiscal Impact Details: Admission and Wagering Tax estimates are based on annual adjusted gross wagering receipts (AGR) and turnstile admissions totals from FY 2000-FY 2002 at Casino Aztar in Evansville. Based on activity at Casino Aztar, annual AGR is estimated to be approximately \$110.0 M and annual turnstile admissions of 1.2 M. These totals are scaled down as gaming industry analysts suggest that the actual scale of operations in Orange County could potentially be about 36% to 44.5% of operations at Casino Aztar. This is based on analysis indicating a maximum scale in Orange County consisting of approximately 500 to 600 electronic gaming devices. As a result, annual AGR is estimated at about \$40.0 M to \$49.0 M and annual turnstile admissions of about 432,000 to 534,000 for the Orange County operation. The midpoint of these ranges is used in presenting estimated revenue totals and distribution totals. The revenue impact is not expected to begin prior to FY 2006. This conclusion is based on the start-up times for the ten existing riverboat casinos, as well as the fact that current statute requires the voters in Orange County to pass a referendum allowing riverboat gambling in the county at the next general election (November, 2004). It has taken an average of 17 months from the time the certificate of suitability was issued by the Gaming Commission for the ten existing riverboats to commence gaming operations. (The certificate of suitability is issued by the Gaming Commission to a person who has been chosen to receive a Riverboat Owner's License.)

Explanation of Local Expenditures: (Revised) The Orange County riverboat casino must be located in a historic hotel district established under an interlocal agreement between French Lick and West Baden Springs. The district must consist of the real property owned by the historic hotels in French Lick and West Baden Springs. The bill requires a Historic Preservation Commission consisting of eight members to govern the District.

The bill establishes a Community Trust Fund including money disbursed from the Commission, donations,

and interest and dividends on assets of the Fund. The Commission is required to manage and develop the Fund and its assets. The bill requires expenses of administering the Fund to be paid from the Fund. The Commission has the sole authority to allocate money from the Fund only for the following purposes: (1) infrastructure projects in the county; (2) historic preservation or restoration projects in the community; and (3) other projects designed to enhance the historic character of the community. The bill requires the Commission to hold public meetings and to keep a public record of its resolutions, proceedings, and actions. The Commission also would be subject to examination by the State Board of Accounts.

Explanation of Local Revenues: (Revised) A riverboat casino in Orange County is estimated to generate about \$7.6 M annually in revenue from the Riverboat Wagering Tax; and about \$1.9 M annually in revenue from the Riverboat Admission Tax. The estimated local distribution amounts and the purposes for which such money may be used are presented in the distributions table and descriptions above under *Explanation of State Revenues*.

State Agencies Affected: Indiana Gaming Commission, State Board of Accounts.

Local Agencies Affected: French Lick, West Baden Springs, Orleans, Paoli, Crawford County, DuBois County, Orange County.

Information Sources: *Monthly Summary of Wagering and Admission Tax*, Indiana Gaming Commission.

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